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State of Minnesota  
**HOUSE OF REPRESENTATIVES**

**EIGHTY-FIFTH  
SESSION**

**HOUSE FILE No. 2850**

February 12, 2008

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The bill was read for the first time and referred to the Committee on Taxes

1.1 A bill for an act  
1.2 relating to taxation; property tax; extending certain agricultural classification  
1.3 to brothers and sisters; amending Minnesota Statutes 2006, section 273.124,  
1.4 subdivision 1; Minnesota Statutes 2007 Supplement, section 273.124,  
1.5 subdivision 14.

1.6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.7 Section 1. Minnesota Statutes 2006, section 273.124, subdivision 1, is amended to read:

1.8 Subdivision 1. **General rule.** (a) Residential real estate that is occupied and used  
1.9 for the purposes of a homestead by its owner, who must be a Minnesota resident, is  
1.10 a residential homestead.

1.11 Agricultural land, as defined in section 273.13, subdivision 23, that is occupied and  
1.12 used as a homestead by its owner, who must be a Minnesota resident, is an agricultural  
1.13 homestead.

1.14 Dates for establishment of a homestead and homestead treatment provided to  
1.15 particular types of property are as provided in this section.

1.16 Property held by a trustee under a trust is eligible for homestead classification if the  
1.17 requirements under this chapter are satisfied.

1.18 The assessor shall require proof, as provided in subdivision 13, of the facts upon  
1.19 which classification as a homestead may be determined. Notwithstanding any other law,  
1.20 the assessor may at any time require a homestead application to be filed in order to verify  
1.21 that any property classified as a homestead continues to be eligible for homestead status.  
1.22 Notwithstanding any other law to the contrary, the Department of Revenue may, upon  
1.23 request from an assessor, verify whether an individual who is requesting or receiving  
1.24 homestead classification has filed a Minnesota income tax return as a resident for the most  
1.25 recent taxable year for which the information is available.

2.1           When there is a name change or a transfer of homestead property, the assessor may  
2.2 reclassify the property in the next assessment unless a homestead application is filed to  
2.3 verify that the property continues to qualify for homestead classification.

2.4           (b) For purposes of this section, homestead property shall include property which  
2.5 is used for purposes of the homestead but is separated from the homestead by a road,  
2.6 street, lot, waterway, or other similar intervening property. The term "used for purposes  
2.7 of the homestead" shall include but not be limited to uses for gardens, garages, or other  
2.8 outbuildings commonly associated with a homestead, but shall not include vacant land  
2.9 held primarily for future development. In order to receive homestead treatment for  
2.10 the noncontiguous property, the owner must use the property for the purposes of the  
2.11 homestead, and must apply to the assessor, both by the deadlines given in subdivision  
2.12 9. After initial qualification for the homestead treatment, additional applications for  
2.13 subsequent years are not required.

2.14           (c) Residential real estate that is occupied and used for purposes of a homestead by a  
2.15 relative of the owner is a homestead but only to the extent of the homestead treatment  
2.16 that would be provided if the related owner occupied the property. For purposes of this  
2.17 paragraph and paragraph (g), "relative" means a parent, stepparent, child, stepchild,  
2.18 grandparent, grandchild, brother, sister, uncle, aunt, nephew, or niece. This relationship  
2.19 may be by blood or marriage. Property that has been classified as seasonal residential  
2.20 recreational property at any time during which it has been owned by the current owner or  
2.21 spouse of the current owner will not be reclassified as a homestead unless it is occupied as  
2.22 a homestead by the owner; this prohibition also applies to property that, in the absence of  
2.23 this paragraph, would have been classified as seasonal residential recreational property at  
2.24 the time when the residence was constructed. Neither the related occupant nor the owner  
2.25 of the property may claim a property tax refund under chapter 290A for a homestead  
2.26 occupied by a relative. In the case of a residence located on agricultural land, only the  
2.27 house, garage, and immediately surrounding one acre of land shall be classified as a  
2.28 homestead under this paragraph, except as provided in paragraph (d).

2.29           (d) Agricultural property that is occupied and used for purposes of a homestead by  
2.30 a relative of the owner, is a homestead, only to the extent of the homestead treatment  
2.31 that would be provided if the related owner occupied the property, and only if all of the  
2.32 following criteria are met:

2.33           (1) the relative who is occupying the agricultural property is a son, daughter, brother,  
2.34 sister, grandson, granddaughter, father, or mother of the owner of the agricultural property  
2.35 or a son, daughter, brother, sister, grandson, or granddaughter of the spouse of the owner  
2.36 of the agricultural property;

3.1 (2) the owner of the agricultural property must be a Minnesota resident;

3.2 (3) the owner of the agricultural property must not receive homestead treatment on  
3.3 any other agricultural property in Minnesota; and

3.4 (4) the owner of the agricultural property is limited to only one agricultural  
3.5 homestead per family under this paragraph.

3.6 Neither the related occupant nor the owner of the property may claim a property  
3.7 tax refund under chapter 290A for a homestead occupied by a relative qualifying under  
3.8 this paragraph. For purposes of this paragraph, "agricultural property" means the house,  
3.9 garage, other farm buildings and structures, and agricultural land.

3.10 Application must be made to the assessor by the owner of the agricultural property to  
3.11 receive homestead benefits under this paragraph. The assessor may require the necessary  
3.12 proof that the requirements under this paragraph have been met.

3.13 (e) In the case of property owned by a property owner who is married, the assessor  
3.14 must not deny homestead treatment in whole or in part if only one of the spouses occupies  
3.15 the property and the other spouse is absent due to: (1) marriage dissolution proceedings,  
3.16 (2) legal separation, (3) employment or self-employment in another location, or (4) other  
3.17 personal circumstances causing the spouses to live separately, not including an intent to  
3.18 obtain two homestead classifications for property tax purposes. To qualify under clause  
3.19 (3), the spouse's place of employment or self-employment must be at least 50 miles distant  
3.20 from the other spouse's place of employment, and the homesteads must be at least 50 miles  
3.21 distant from each other. Homestead treatment, in whole or in part, shall not be denied to  
3.22 the owner's spouse who previously occupied the residence with the owner if the absence  
3.23 of the owner is due to one of the exceptions provided in this paragraph.

3.24 (f) The assessor must not deny homestead treatment in whole or in part if:

3.25 (1) in the case of a property owner who is not married, the owner is absent due to  
3.26 residence in a nursing home, boarding care facility, or an elderly assisted living facility  
3.27 property as defined in section 273.13, subdivision 25a, and the property is not otherwise  
3.28 occupied; or

3.29 (2) in the case of a property owner who is married, the owner or the owner's spouse  
3.30 or both are absent due to residence in a nursing home, boarding care facility, or an elderly  
3.31 assisted living facility property as defined in section 273.13, subdivision 25a, and the  
3.32 property is not occupied or is occupied only by the owner's spouse.

3.33 (g) If an individual is purchasing property with the intent of claiming it as a  
3.34 homestead and is required by the terms of the financing agreement to have a relative  
3.35 shown on the deed as a co-owner, the assessor shall allow a full homestead classification.  
3.36 This provision only applies to first-time purchasers, whether married or single, or to a

4.1 person who had previously been married and is purchasing as a single individual for the  
4.2 first time. The application for homestead benefits must be on a form prescribed by the  
4.3 commissioner and must contain the data necessary for the assessor to determine if full  
4.4 homestead benefits are warranted.

4.5 (h) If residential or agricultural real estate is occupied and used for purposes of a  
4.6 homestead by a child of a deceased owner and the property is subject to jurisdiction of  
4.7 probate court, the child shall receive relative homestead classification under paragraph (c)  
4.8 or (d) to the same extent they would be entitled to it if the owner was still living, until  
4.9 the probate is completed. For purposes of this paragraph, "child" includes a relationship  
4.10 by blood or by marriage.

4.11 (i) If a single-family home, duplex, or triplex classified as either residential  
4.12 homestead or agricultural homestead is also used to provide licensed child care, the  
4.13 portion of the property used for licensed child care must be classified as a part of the  
4.14 homestead property.

4.15 **EFFECTIVE DATE.** This section is effective for taxes payable in 2009 and  
4.16 thereafter.

4.17 Sec. 2. Minnesota Statutes 2007 Supplement, section 273.124, subdivision 14, is  
4.18 amended to read:

4.19 Subd. 14. **Agricultural homesteads; special provisions.** (a) Real estate of less than  
4.20 ten acres that is the homestead of its owner must be classified as class 2a under section  
4.21 273.13, subdivision 23, paragraph (a), if:

4.22 (1) the parcel on which the house is located is contiguous on at least two sides to (i)  
4.23 agricultural land, (ii) land owned or administered by the United States Fish and Wildlife  
4.24 Service, or (iii) land administered by the Department of Natural Resources on which in  
4.25 lieu taxes are paid under sections 477A.11 to 477A.14;

4.26 (2) its owner also owns a noncontiguous parcel of agricultural land that is at least  
4.27 20 acres;

4.28 (3) the noncontiguous land is located not farther than four townships or cities, or a  
4.29 combination of townships or cities from the homestead; and

4.30 (4) the agricultural use value of the noncontiguous land and farm buildings is equal  
4.31 to at least 50 percent of the market value of the house, garage, and one acre of land.

4.32 Homesteads initially classified as class 2a under the provisions of this paragraph shall  
4.33 remain classified as class 2a, irrespective of subsequent changes in the use of adjoining  
4.34 properties, as long as the homestead remains under the same ownership, the owner owns a  
4.35 noncontiguous parcel of agricultural land that is at least 20 acres, and the agricultural use

5.1 value qualifies under clause (4). Homestead classification under this paragraph is limited  
5.2 to property that qualified under this paragraph for the 1998 assessment.

5.3 (b)(i) Agricultural property consisting of at least 40 acres shall be classified as the  
5.4 owner's homestead, to the same extent as other agricultural homestead property, if all  
5.5 of the following criteria are met:

5.6 (1) the owner, the owner's spouse, the son or daughter of the owner or owner's  
5.7 spouse, the brother or sister of the owner or owner's spouse, or the grandson or  
5.8 granddaughter of the owner or the owner's spouse, is actively farming the agricultural  
5.9 property, either on the person's own behalf as an individual or on behalf of a partnership  
5.10 operating a family farm, family farm corporation, joint family farm venture, or limited  
5.11 liability company of which the person is a partner, shareholder, or member;

5.12 (2) both the owner of the agricultural property and the person who is actively  
5.13 farming the agricultural property under clause (1), are Minnesota residents;

5.14 (3) neither the owner nor the spouse of the owner claims another agricultural  
5.15 homestead in Minnesota; and

5.16 (4) neither the owner nor the person actively farming the property lives farther  
5.17 than four townships or cities, or a combination of four townships or cities, from the  
5.18 agricultural property, except that if the owner or the owner's spouse is required to live in  
5.19 employer-provided housing, the owner or owner's spouse, whichever is actively farming  
5.20 the agricultural property, may live more than four townships or cities, or combination of  
5.21 four townships or cities from the agricultural property.

5.22 The relationship under this paragraph may be either by blood or marriage.

5.23 (ii) Real property held by a trustee under a trust is eligible for agricultural homestead  
5.24 classification under this paragraph if the qualifications in clause (i) are met, except that  
5.25 "owner" means the grantor of the trust.

5.26 (iii) Property containing the residence of an owner who owns qualified property  
5.27 under clause (i) shall be classified as part of the owner's agricultural homestead, if that  
5.28 property is also used for noncommercial storage or drying of agricultural crops.

5.29 (c) Noncontiguous land shall be included as part of a homestead under section  
5.30 273.13, subdivision 23, paragraph (a), only if the homestead is classified as class 2a  
5.31 and the detached land is located in the same township or city, or not farther than four  
5.32 townships or cities or combination thereof from the homestead. Any taxpayer of these  
5.33 noncontiguous lands must notify the county assessor that the noncontiguous land is part of  
5.34 the taxpayer's homestead, and, if the homestead is located in another county, the taxpayer  
5.35 must also notify the assessor of the other county.

6.1 (d) Agricultural land used for purposes of a homestead and actively farmed by a  
6.2 person holding a vested remainder interest in it must be classified as a homestead under  
6.3 section 273.13, subdivision 23, paragraph (a). If agricultural land is classified class 2a,  
6.4 any other dwellings on the land used for purposes of a homestead by persons holding  
6.5 vested remainder interests who are actively engaged in farming the property, and up to  
6.6 one acre of the land surrounding each homestead and reasonably necessary for the use of  
6.7 the dwelling as a home, must also be assessed class 2a.

6.8 (e) Agricultural land and buildings that were class 2a homestead property under  
6.9 section 273.13, subdivision 23, paragraph (a), for the 1997 assessment shall remain  
6.10 classified as agricultural homesteads for subsequent assessments if:

6.11 (1) the property owner abandoned the homestead dwelling located on the agricultural  
6.12 homestead as a result of the April 1997 floods;

6.13 (2) the property is located in the county of Polk, Clay, Kittson, Marshall, Norman,  
6.14 or Wilkin;

6.15 (3) the agricultural land and buildings remain under the same ownership for the  
6.16 current assessment year as existed for the 1997 assessment year and continue to be used  
6.17 for agricultural purposes;

6.18 (4) the dwelling occupied by the owner is located in Minnesota and is within 30  
6.19 miles of one of the parcels of agricultural land that is owned by the taxpayer; and

6.20 (5) the owner notifies the county assessor that the relocation was due to the 1997  
6.21 floods, and the owner furnishes the assessor any information deemed necessary by the  
6.22 assessor in verifying the change in dwelling. Further notifications to the assessor are not  
6.23 required if the property continues to meet all the requirements in this paragraph and any  
6.24 dwellings on the agricultural land remain uninhabited.

6.25 (f) Agricultural land and buildings that were class 2a homestead property under  
6.26 section 273.13, subdivision 23, paragraph (a), for the 1998 assessment shall remain  
6.27 classified agricultural homesteads for subsequent assessments if:

6.28 (1) the property owner abandoned the homestead dwelling located on the agricultural  
6.29 homestead as a result of damage caused by a March 29, 1998, tornado;

6.30 (2) the property is located in the county of Blue Earth, Brown, Cottonwood,  
6.31 LeSueur, Nicollet, Nobles, or Rice;

6.32 (3) the agricultural land and buildings remain under the same ownership for the  
6.33 current assessment year as existed for the 1998 assessment year;

6.34 (4) the dwelling occupied by the owner is located in this state and is within 50 miles  
6.35 of one of the parcels of agricultural land that is owned by the taxpayer; and

7.1 (5) the owner notifies the county assessor that the relocation was due to a March 29,  
7.2 1998, tornado, and the owner furnishes the assessor any information deemed necessary by  
7.3 the assessor in verifying the change in homestead dwelling. For taxes payable in 1999, the  
7.4 owner must notify the assessor by December 1, 1998. Further notifications to the assessor  
7.5 are not required if the property continues to meet all the requirements in this paragraph  
7.6 and any dwellings on the agricultural land remain uninhabited.

7.7 (g) Agricultural property consisting of at least 40 acres of a family farm corporation,  
7.8 joint family farm venture, family farm limited liability company, or partnership operating  
7.9 a family farm as described under subdivision 8 shall be classified homestead, to the same  
7.10 extent as other agricultural homestead property, if all of the following criteria are met:

7.11 (1) a shareholder, member, or partner of that entity is actively farming the  
7.12 agricultural property;

7.13 (2) that shareholder, member, or partner who is actively farming the agricultural  
7.14 property is a Minnesota resident;

7.15 (3) neither that shareholder, member, or partner, nor the spouse of that shareholder,  
7.16 member, or partner claims another agricultural homestead in Minnesota; and

7.17 (4) that shareholder, member, or partner does not live farther than four townships or  
7.18 cities, or a combination of four townships or cities, from the agricultural property.

7.19 Homestead treatment applies under this paragraph for property leased to a family  
7.20 farm corporation, joint farm venture, limited liability company, or partnership operating a  
7.21 family farm if legal title to the property is in the name of an individual who is a member,  
7.22 shareholder, or partner in the entity.

7.23 (h) To be eligible for the special agricultural homestead under this subdivision, an  
7.24 initial full application must be submitted to the county assessor where the property is  
7.25 located. Owners and the persons who are actively farming the property shall be required  
7.26 to complete only a one-page abbreviated version of the application in each subsequent  
7.27 year provided that none of the following items have changed since the initial application:

7.28 (1) the day-to-day operation, administration, and financial risks remain the same;

7.29 (2) the owners and the persons actively farming the property continue to live within  
7.30 the four townships or city criteria and are Minnesota residents;

7.31 (3) the same operator of the agricultural property is listed with the Farm Service  
7.32 Agency;

7.33 (4) a Schedule F or equivalent income tax form was filed for the most recent year;

7.34 (5) the property's acreage is unchanged; and

7.35 (6) none of the property's acres have been enrolled in a federal or state farm program  
7.36 since the initial application.

8.1 The owners and any persons who are actively farming the property must include  
8.2 the appropriate Social Security numbers, and sign and date the application. If any of the  
8.3 specified information has changed since the full application was filed, the owner must  
8.4 notify the assessor, and must complete a new application to determine if the property  
8.5 continues to qualify for the special agricultural homestead. The commissioner of revenue  
8.6 shall prepare a standard reapplication form for use by the assessors.

8.7 (i) Agricultural land and buildings that were class 2a homestead property under  
8.8 section 273.13, subdivision 23, paragraph (a), for the 2007 assessment shall remain  
8.9 classified agricultural homesteads for subsequent assessments if:

8.10 (1) the property owner abandoned the homestead dwelling located on the agricultural  
8.11 homestead as a result of damage caused by the August 2007 floods;

8.12 (2) the property is located in the county of Dodge, Fillmore, Houston, Olmsted,  
8.13 Steele, Wabasha, or Winona;

8.14 (3) the agricultural land and buildings remain under the same ownership for the  
8.15 current assessment year as existed for the 2007 assessment year;

8.16 (4) the dwelling occupied by the owner is located in this state and is within 50 miles  
8.17 of one of the parcels of agricultural land that is owned by the taxpayer; and

8.18 (5) the owner notifies the county assessor that the relocation was due to the August  
8.19 2007 floods, and the owner furnishes the assessor any information deemed necessary by  
8.20 the assessor in verifying the change in homestead dwelling. For taxes payable in 2009, the  
8.21 owner must notify the assessor by December 1, 2008. Further notifications to the assessor  
8.22 are not required if the property continues to meet all the requirements in this paragraph  
8.23 and any dwellings on the agricultural land remain uninhabited.

8.24 **EFFECTIVE DATE.** This section is effective for taxes payable in 2009 and  
8.25 thereafter.